

Message Text

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PAGE 01 OECD P 24462 01 OF 02 221842Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 HEW-06 SIL-01 LAB-04 OIC-02

AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-09 FRB-01

INR-07 IO-10 NEA-10 NSAE-00 OPIC-06 SP-02 TRSE-00

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P R 221831Z SEP 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 8531

INFO USMISSION NATO

UNCLAS SECTION 01 OF 02 OECD PARIS 24462

E.O. 11652: N/A

TAGS: AORG, OECD

SUBJECT: PENSION SCHEME FOR COORDINATED ORGANIZATIONS

1. BEGIN SUMMARY: CCG AGAIN UNABLE REACH AGREEMENT ON DRAFT PENSION SCHEME REGULATIONS. REMAINING POINT OF CONTENTION IN CCG IS COST TO EMPLOYEES FOR VALIDATION OF SERVICE PRIOR TO INTRODUCTION OF PENSION. DUE RISING DISCONTENT AMONG OECD STAFF, SECRETARY-GENERAL CALLED HEADS OF DELEGATIONS MEETING ON SEPTEMBER 19 TO DISCUSS PROBLEM. MEETING HEADS OF DELEGATIONS PRECEDED BY MASS ASSEMBLAGE OF OECD STAFF MEMBERS AT OECD HEADQUARTERS FOR SILENT PROTEST AGAINST PROPOSED CHANGE OF VALIDATION FORMULA AND FACT PENSION REGULATIONS STILL NOT APPROVED BY CCG. END SUMMARY.

2. 94TH REPORT OF CCG CALLED FOR THE VALIDATION OF PRIOR SERVICE BY A PAYMENT CORRESPONDING TO THE CONTRIBUTIONS PAID INTO THE PROVIDENT FUND PLUS COMPOUND INTEREST AT 4 PERCENT PER ANNUM. THE GERMAN REPRESENTATIVE ON THE CCG WITH SUPPORT FROM THE NETHERLANDS AND SWEDEN, HAS STATED THAT THIS FORMULA PERMITS STAFF TO RETAIN AN UNDULY LARGE AMOUNT OF THEIR PROVIDENT
UNCLASSIFIED

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PAGE 02 OECD P 24462 01 OF 02 221842Z

FUND HOLDINGS AFTER PURCHASING PRIOR PENSION CREDIT.

IN ADDITION TO APPLYING THE FORMULA CONTAINED IN PARA. 27 OF THE 94TH CCG REPORT, THE GERMANS HAVE PROPOSED THAT TWO-THIRDS OF THE RESIDUAL AMOUNT REMAINING IN PROVIDENT FUND HOLDINGS BE CHARGED AS A COST FOR VALIDATION WITH THE REMAINING ONE THIRD BEING RETAINED BY THE EMPLOYEE. GERMAN DELEGATION ADVISED MISSION THAT A LETTER SEEKING US SUPPORT FOR THEIR PROPOSAL HAD BEEN SENT FROM THE STATE SECRETARY IN THE FOREIGN OFFICE TO DEPUTY SECRETARY INGERSOLL.

3. SECRETARY-GENERAL VAN LENNEP MADE STRONG CASE TO HEADS OF DELEGATIONS ON NEED TO HAVE PENSION REGULATIONS AT EARLY DATE AND TO MEET LEGITIMATE COMPLAINTS OF STAFF OF OECD. HE MADE LENGTHY CASE THAT COUNCIL APPROVAL OF 94TH CCG HAD SETTLED VALIDATION QUESTION AND THAT PENSION REGULATIONS SHOULD BE IN STRICT ACCORDANCE WITH PARAGRAPH 27 OF THAT REPORT. HE SAID THAT ANY CHANGE IN PREVIOUSLY APPROVED VALIDATION FORMULA WOULD PENALIZE OECD STAFF AND COULD BE SUBJECT OF APPEALS BOARD ACTION AS A VIOLATION OF THE VESTED RIGHTS OF EMPLOYEES.

4. FRENCH AMBASSADOR DEPLORED FACT THAT PENSION ISSUES NOT SETTLED DESPITE LONG DELAY SINCE APPROVAL OF PENSION PLAN. HE STATED HE WAS NOT AUTHORIZED TO REVERSE COUNCIL DECISION ON 94TH CCG REPORT AND DID NOT WISH TO SEE A SERIES OF DISCUSSIONS IN OECD COUNCIL OR IN CCG ON THIS SUBJECT. THIS POSITION WAS SUPPORTED BY UK, ITALIAN AND SPANISH AMBASSADORS. NO STATEMENTS ON VALIDATION ISSUE WERE MADE BY THOSE COUNTRIES SEEKING A

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PAGE 01 OECD P 24462 02 OF 02 221839Z

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P R 221831Z SEP 75
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UNCLAS SECTION 02 OF 02 OECD PARIS 24462

CHANGE IN THE VALIDATION FORMULA IN THE CCG.

5. AT SUGGESTION OF UK AMBASSADOR, THE CHAIRMAN OF THE CCG WILL BE REQUESTED TO MAKE A VERBAL REPORT TO THE HEADS OF DELEGATION ON THE STATUS OF CCG WORK ON PENSIONS ON SEPTEMBER 25. ON THE SAME DAY, THE COUNCIL WILL BE ASKED TO APPROVE A DECISION CALLING ON THE CCG TO COMPLETE THEIR WORK ON THE PENSION REGULATIONS BY OCTOBER AND TO APPROVE, ON AN INTERIM BASIS UNTIL THE APPROVAL OF THE PENSION REGULATIONS, AN EXTENSION UNTIL DECEMBER 31, 1975 OF THE OPTION PERIOD FOR STAFF TO CHOOSE TO JOIN THE PENSION SCHEME. STAFF ASSOCIATION PLANS HOLD A GENERAL ASSEMBLY TO DISCUSS ANY FURTHER STAFF ACTION ON THIS ISSUE.

6. A CHANGE IN THE VALIDATION FORMULA AT THIS LATE DATE WOULD INVOLVE A REVERSAL OF AN EARLIER OECD COUNCIL DECISION, WOULD ADVERSELY AFFECT OECD STAFF MORALE AND ENCOURAGE UNFAVORABLE REACTIONS FROM STAFF ASSOCIATION AND IS OPPOSED BY A NUMBER OF IMPORTANT DELEGATIONS.

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PAGE 02 OECD P 24462 02 OF 02 221839Z

IN THESE CIRCUMSTANCES, THE MISSION WILL CONTINUE TO SUPPORT THE VALIDATION PROCEDURES APPROVED IN PARAGRAPH 27 OF THE 94TH CCG REPORT UNLESS INSTRUCTED OTHERWISE PRIOR TO THE COUNCIL MEETING ON SEPTEMBER 25.
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